

FILE COPY

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Comptroller

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Internal Audit Executive



**OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS**

Internal Audit Section



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April 3, 2009

Veronica L. Banks, Executive Director
I-70 Northwest Development Corporation
4144 Lindell Avenue, Suite 138
St. Louis, MO 63108

RE: Community Development Block Grant (Project # 2009-CDA15)

Dear Ms. Banks:

Enclosed is a report of our fiscal monitoring review of I-70 Northwest Development Corporation, a not-for-profit organization, CDBG program, for the period January 1, 2008 through June 30, 2008. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of the I-70 Northwest Development Corporation. The fieldwork was completed on September 10, 2008.

This review was made under the authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

A handwritten signature in black ink that reads "Kenneth M. Stone".

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Lorna Alexander, Special Assistant for Development, CDA
Jill Claybour, Acting Executive Director, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**I-70 NORTHWEST DEVELOPMENT CORPORATION
CONTRACT #08-31-59
CFDA #14.218**

**FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH JUNE 30, 2008**

PROJECT #2009-CDA15

DATE ISSUED: APRIL 3, 2009

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
I-70 NORTHWEST DEVELOPMENT CORPORATION
FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH JUNE 30, 2008**

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INTRODUCTION

Background

Contract Name: I-70 Northwest Community Based Development Organization (CBDO)

Contract Number: 08-31-59

CFDA Number: 14.218

Contract Period: January 1, 2008 through December 31, 2008

Contract Amount: \$125,000.

This contract provided Community Development Block Grant (CDBG) funds to I-70 Northwest Development Corporation (Agency) to encourage, promote, implement housing development, economic opportunities and revitalization efforts within the neighborhoods north of Delmar Boulevard.

Purpose

The purpose of the review was to determine Agency's compliance with federal, state and local CDBG requirements for the period January 1, 2008, through June 30, 2008, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by Community Development Administration (CDA), evidence tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. The fieldwork was completed on September 10, 2008.

Exit Conference

An exit conference was offered to the Agency on March 23, 2009, but the Agency did not respond.

Management's Responses

On March 23, 2009, the Agency was provided with the draft copy of this report and requested to respond to the observations and recommendations noted in the report by March 31, 2009; however, as of the date of this report, the Agency has not responded.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2008-CDA1, issued in October 24, 2007, did not contain any observations.

A-133 Status

According to the letter received from the Agency dated July 16, 2008, it did not expend \$500,000 or more in federal funds in its calendar year ended December 31, 2007, and was not required to have an A-133 audit.

Summary of Current Observations

Recommendations are made for the following observations, which if implemented, could assist the Agency in fully complying with federal, state, and local CDBG requirements.

1. Opportunity to file IRS Form 941
2. Opportunity to maintain adequate payroll records
3. Opportunity to maintain adequate accounting records

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANGEMENT'S RESPONSES

1. Opportunity to File IRS Form 941

The Agency failed to provide IAS the copies of the filed quarterly IRS Form 941 for the period of the review. In addition, an evidence of the payment of the federal, state and local government withholding taxes was not available. CDA reimbursed the Agency \$4,612.08 for the for the payroll taxes for the review period.

IRS regulations and relevant state and local government regulations require all organizations with employees to file IRS Form 941 every quarter to report income tax withholdings and FICA and Medicare taxes for both employee and employers shares.

Failure to use the grant funds for its intended purposes may result in an immediate termination of the grant contract agreement. In addition, unpaid withholding taxes may continue to accrue interest and penalties thereby increasing Agency's current liabilities, the obligation the Agency would have to meet from its own resources.

Recommendation

It is recommended that the Agency file all outstanding IRS Form 941 and pay the outstanding withholding taxes promptly and/or provide proof of the filing of all outstanding tax returns and the payment of the corresponding taxes.

Management's Responses

On March 23, 2009, we provided the Agency with the draft report of this review and requested a response to the observation and recommendation noted in the report by March 31, 2009. However, as of the date of this report, the Agency has not responded.

**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANGEMENT'S RESPONSES**

2. Opportunity to Maintain Adequate Payroll Records

The Agency did not maintain records of vacation and sick leave earned and used by its director.

OMB Circular A-122 and Section 5.2 of the CDA Operating Agency Procedures Manual require the Agency to maintain adequate payroll records for its employees paid with CDBG fund. These include, but are not limited to payroll register, timesheets, records of vacation and sick leave (earned and used).

The Agency did not comply with the federal, state and the local CDA requirements. Failure to keep these records could result in the abuse of vacation and sick leave and misuse of the grant funds.

Recommendation

It is recommended that the Agency comply with the federal, state and the local CDA requirements grant fund requirements and maintain records of vacation and sick leave for all of its employees.

Management's Responses

On March 23, 2009, we provided the Agency with the draft report of this review and requested a response to the observation and recommendation noted in the report by March 31, 2009. However, as of the date of this report, the Agency has not responded.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANGEMENT'S RESPONSES

3. Opportunity to Maintain Adequate Accounting Records

The Agency maintained minimum accounting records, which included only a check register and a payroll register. The Agency did not maintain a general ledger. In addition, it did not perform monthly bank reconciliations or prepare monthly and yearly financial statements.

Sound accounting practices require the Agency to maintain adequate accounting records and prepare reports of its financial activities. These include, but are not limited to maintaining a cash receipts and disbursement journals, check register, general ledger, payroll register, preparing monthly financial reports (income statement and balance sheet) and performing a monthly bank reconciliations.

The Agency has recently purchased QuickBooks accounting software to maintain accounting records and prepare financial reports; however, the Agency has not been using it.

Failure to maintain adequate accounting records, and perform bank reconciliations may increase the risk of errors or misappropriation of funds that may go undetected. In addition, the board of directors may not have reliable financial information that will enable them perform their oversight responsibilities to the Agency.

Recommendation

It is recommended that the Agency:

1. Train its personnel on the use of the automated accounting software (QuickBooks).
2. Maintain proper accounting records that include cash receipts and disbursement journals, check register, general ledger, and payroll register and prepare monthly and yearly financial statements of its operations.
3. Perform monthly bank reconciliations.

Management's Responses

On March 23, 2009, we provided the Agency with the draft report of this review and requested a response to the observation and recommendation noted in the report by March 31, 2009. However, as of the date of this report, the Agency has not responded.